

Message Text

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47

ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-13 ADP-00 SSO-00 CCO-00 SS-15

NSC-10 L-03 H-02 PA-03 PRS-01 USIA-12 OIC-04 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 ARA-11 AF-10 INT-08 RSR-01 /216 W

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P R 091422 Z JUN 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 9879

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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ECOTO 14

E. O. 11652: N/ A

TAGS: EGEN, OECD, OVIP (CASEY, WILLIAM J. AND SHULTZ,
GEORGE P.)

SUBJECT: OECD MINISTERIAL COUNCIL DISCUSSION OF POLICIES FOR
DEVELOPING COUNTRIES, JUNE 7-8; U. S. INTERVENTION

PASS AID/ PPC/ IA

1. FOLLOWING IS TEXT OF STATEMENT DELIVERED ON
JUNE 8 BY UNDER SECRETARY CASEY TO ANNUAL OECD
MINISTERIAL COUNCIL ON AGENDA ITEM 2 A, POLICIES
FOR COOPERATION WITH DEVELOPING COUNTRIES.

2. BEGIN TEXT:

MR MHARIMAN:

DURING THE DECADE OF THE SIXTIES PROGRESS WAS MADE IN
ACCELERATING THE ECONOMIC GROWTH OF MANY OF LOWER INCOME
COUNTRIES. YET WE MUST FRANKLY RECOGNIZE THAT THESE
GAINS HAVE BEEN VERY UNEVENLY DISTRIBUTED AND THAT THE
COMMON AND PREDOMINANT FEATURE OF THE LESS DEVELOPED
WORLD IS POVERTY.

THE SECRETARY GENERAL IS CORRECT TO IDENTIFY IN HIS
PAPER THE FAILURE OF FOOD PRODUCTION AND DISTRIBUTION TO
KEEP PACE WITH POPULATION GROWTH AND THE CONTINUING
PROBLEMS OF CHRONIC MALNUTRITION. THESE CONDITIONS COMBINED
WITH THE PERSISTENT PROBLEM OF GROWING UNEMPLOYMENT MAKE
IT IMPERATIVE THAT OUR NATIONS WORK IN A CLOSE COLLABORATION
WITH THE DEVELOPING COUNTRIES TO IMPROVE THE QUALITY AND
EFFECTIVENESS OF OUR ASSISTANCE EFFORTS TO ALLEVIATE THESE
PROBLEMS.

HOWEVER, ONE CANNOT EASILY SEPARATE THE NEEDS OF THE
DEVELOPING WORLD FROM THOSE OF THE WORLD AT LARGE. THE
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PROSPECTS FOR ACCELERATED GROWTH IN THE DEVELOPING COUNTRIES
AND INCREASED ASSISTANCE FROM THE DEVELOPED COUNTRIES
IS DIRECTLY RELATED TO A BASIC RESTRUCTURING OF THE
INTERNATIONAL MONETARY TRADE AND INVESTMENT SYSTEM.
THE INCLUSION OF NINE DEVELOPING COUNTRIES ON THE COMMITTEE
OF TWENTY IS RECOGNITION OF THIS FACT. THE VOLUME OF
ASSISTANCE AVAILABLE TO THE DEVELOPING COUNTRIES WILL

DEPEND TO A LARGE DEGREE ON HOW WELL WE MAINTAIN GROWTH, EMPLOYMENT, AND PRICE STABILITY IN EACH OF OUR COUNTRIES. IN ADDITION, AN EXPANDING VOLUME OF TRADE IN THE WORLD IS NECESSARY TO BRING TO THE LDCS THE ADDITIONAL FOREIGN EXCHANGE AND ADDITIONAL RESOURCES THEY NEED. WE SHOULD CONTINUE TO STRIVE TO INCREASE THE ABSOLUTE VOLUME OF OUR DEVELOPMENT ASSISTANCE WITHIN OUR INDIVIDUAL CAPABILITIES AND TO MEET THE LEGITIMATE REQUIREMENTS OF DEVELOPING COUNTRIES AS THEY ARE IDENTIFIED. INCREASED VOLUME MUST RELATE TO ABSORPTIVE CAPACITY OF RECIPIENT COUNTRIES AND EFFICIENT UTILIZATION OF RECOURCES PROVIDED. THE US, FOR ITS PART, WILL CONTINUE TO SUPPORT WELL- CONCEIVED DEVELOPMENT EFFORTS -- BOTH BILATERALLY AND MULTILATERALLY, AND WE ARE PREPARED TO WORK WITH THE NATIONS OF THE DEVELOPING WORLD TO IMPROVE THE FLOW OF TRADE , TECHNOLOGY AND CAPITAL -- BOTH PRIVATE AND PUBLIC -- TO ACCELERATE THEIR DEVELOPMENT AND TO ENHANCE THE CONTRIBUTION WHICH THEIR MARKETS AND PRODUCTS MAKE TO THE WORLD' S PROGRESS AND PROSPERITY.

THE INTERNATIONAL FINANCIAL INSTITUTIONS WILL RECEIVE CONTINUED SUPPORT FROM THE UNITED STATES GOVERNMENT. OUR CONTRIBUTIONS TO THE IDA HAVE LAGGED, BUT WE HAVE NOW MADE THE THIRD REPLENISHMENT TO IDA AND WE ARE ACTIVELY SEEKING FUNDS TO MEET OTHER PLEDGES.

WE WILL CONTINUE TO PURSUE A COMPREHENSIVE AID POLICY DESIGNED TO HELP STIMULATE SOCIAL AND ECONOMIC PROGRESS, PARTICULARLY HIGHER RATES OF PER CAPITA ECONOMIC GROWTH, IN THE DEVELOPING WORLD -- A POLICY NOT OF AID ALONE BUT OF EMPLOYING A WIDE VARIETY OF ECONOMIC RELATIONSHIPS, A POLICY INVOLVING COORDINATION WITH OTHER DEVELOPED COUNTRIES AND REQUIRING SERIOUS EFFORT FROM THE DEVELOPING NATIONS THEMSELVES. WE WILL PURSUE IT IN RECOGNITION OF THE FACT THAT JUST AS THE DEVELOPING NATIONS NEED ACCESS TO THE CAPITAL AND COOPERATION OF THE DEVELOPED COUNTRIES, SO WILL WE INCREASINGLY NEED THEIR COOPERATION AND ACCESS TO WHAT THEY CAN PRODUCE. THE RAPIDLY BURGEONING NEEDS OF THE INDUSTRIALIZED WORLD FOR ENERGY AND RAW MATERIAL RESOURCES OFFER NEW TRADE POSSIBILITIES THAT WILL BOTH AUGMENT PRODUCTION AND FOREIGN EXCHANGE LIMITED OFFICIAL USE

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EARNINGS IN THE DEVELOPING WORLD.

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-13 ADP-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

CCO-00 SSO-00 ARA-11 AF-10 INT-08 SS-15 NSC-10 L-03

H-02 PA-03 PRS-01 USIA-12 OIC-04 RSR-01 /216 W

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TO SECSTATE WASHDC PRIORITY 9880

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DEVELOPMENT DEPENDS ON MORE THAN FINANCIAL ASSISTANCE. THE EFFECTIVENESS OF FINANCIAL ASSISTANCE CAN BE MAXIMIZED BY RELATING IT TO FORCES LIKE TRADE, INVESTMENT AND TECHNICAL ASSISTANCE WHICH CONTRIBUTE SUBSTANTIALLY TO DEVELOPMENT. OVER THE LAST THREE YEARS THE LESS DEVELOPED COUNTRIES OF LATIN AMERICA HAVE INCREASED THEIR EXPORTS TO THE UNITED STATES AND THEIR IMPORTS FROM THE UNITED STATES BY 35 PERCENT. NEXT YEAR, WE HOPE TO HAVE IN POSITION A GENERALIZED PREFERENCE SYSTEM WHICH WILL SIGNIFICANTLY IMPROVE EXPORT PROSPECTS FOR THE LESS DEVELOPED WORLD. AS WE SUCCEED IN THE MULTILATERAL TRADE NEGOTIATIONS IN REDUCING BARRIERS TO TRADE, PARTICULARLY IN THE AGRICULTURAL SECTOR, THE LESS DEVELOPED COUNTRIES WILL GET STILL MORE OPPORTUNITIES TO INCREASE THEIR FOREIGN EXCHANGE EARNINGS.

IN SHAPING DEVELOPMENT ASSISTANCE FOR THE BALANCE OF THIS DECADE, WE SHOULD THINK OF HOW THAT ASSISTANCE CAN BUILD THE CAPACITY OF THE LDCS TO MAXIMIZE THE ADDED ABILITY TO EARN FOREIGN EXCHANGE SOON TO BE AVAILABLE FROM BROADENED PREFERENCES AND A LIBERALIZED SYSTEM OF WORLD TRADE. CAN GREATER PUBLIC SUPPORT AND MORE SATISFACTORY LEVELS OF FINANCIAL ASSISTANCE BE DEVELOPED BY RELATING ASSISTANCE MORE CLOSELY TO NEW CIRCUMSTANCES SUCH AS THE AVAILABILITY OF TRADE PREFERENCES, THE OPPORTUNITY FOR GREATER ECONOMIC ACTIVITY AFFORDED LDCS BY A MORE OPEN TRADING WORLD AND THE GREATER CONCERN THE LDCS WILL HAVE FOR RAW MATERIAL AND ENERGY SOURCES?

WITH A GREATER POTENTIAL TO EARN FOREIGN EXCHANGE IN PROSPECT, SHOULD A LARGER PORTION OF AVAILABLE DEVELOPMENT ASSISTANCE BE FOCUSED ON BUILDING INSTITUTIONS LIKE INDIGENOUS CAPITAL MARKETS? SHOULDN'T WE PAY ATTENTION TO GENERATING INTERNAL SYSTEMS OF SERVICING, DISTRIBUTION CHANNELS AND MINERAL SURVEYS WHICH CAN PROVIDE THE BASIS FOR USING INCREASED FOREIGN EXCHANGE EARNINGS TO BUILD THE INTERNAL ECONOMIC STRENGTH WHICH LEADS TO SELF-SUSTAINING GROWTH, GENERATES PUBLIC SAVINGS AND ATTRACTS SUPPORT FROM INTERNATIONAL CAPITAL MARKETS?

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IN REVIEWING OUR DEVELOPMENT POLICIES TO MAKE THEM MORE EFFECTIVE, IT IS OUR INTENTION TO FULLY COORDINATE THE USE OF INTERNATIONAL INVESTMENT, TRADE EXPANSION, PREFERENCES, FINANCING PROVIDED BY MULTILATERAL INSTITUTIONS, BILATERAL GRANT AND LOAN ASSISTANCE, TECHNICAL ASSISTANCE, TRAINING AND COLLABORATION IN SOCIAL AND ECONOMIC INSTITUTION BUILDING.

MR. CHAIRMAN, THIS ORGANIZATION, THROUGH THE DAC, THE DEVELOPMENT CENTER, AND TRADE COMMITTEE, HAS PROVIDED A VERY USEFUL SERVICE TO MEMBERS BY HELPING US TO FOCUS ON CRITICAL DEVELOPMENT ISSUES. IT HAS MADE A SIGNIFICANT CONTRIBUTION TO THE DEVELOPMENT PROCESS AND THE WORK OF ALL THOSE ENGAGED IN IT BY IDENTIFYING EMERGING DEVELOPMENT PROBLEMS AND NEEDS. IT WAS PARTLY BECAUSE OF WORK IN OECD THAT THE SERIOUSNESS OF THE LDC UNEMPLOYMENT PROBLEM WAS RECOGNIZED. WE WANT TO FURTHER ENCOURAGE SIMILAR ENDEAVORS. ALSO, WE STRONGLY SUPPORT THE

NEW RECOMMENDATIONS ON TERMS WHICH WAS APPROVED AT THE DAC
HIGH LEVEL MEETING LAST OCTOBER. WE WILL CONTINUE TO ENCOURAGE
FURTHER EFFORTS TO IMPROVE TERMS AND QUALITY OF DEVELOPMENT ASS-
ISTANCE IN THIS REGARD WE PARTICULARLY WELCOME THE INITIATIVE OF
CERTAIN DONORS, NOTABLY JAPAN, IN COMPLETELY UNTYING A PORTION
OF ITS BILATERAL AID. WE ALSO FAVOR PARTIAL UNTYING TO ALLOW
AID TO BE USED FOR PROCUREMENT IN DEVELOPING COUNTRIES. THE
US PARTIALLY UNITED IN THIS WAY IN 1970. WHILE THIS REMAINS
A MODEST PORTION OF TOTAL US ASSISTANCE, IT MAKES A SIGNIFICANT
CONTRIBUTION IN ABSOLUTE TERMS TO INDIVIDUAL DEVELOPING
COUNTRIES WHICH HAVE BEEN ABLE TO TAKE ADVANTAGE OF IT.
THIS, TOGETHER WITH LOCAL CURRENCY FINANCING, HAS INCREASED
THE EFFECTIVENESS OF OUR DEVELOPMENT PROGRAMS.
END TEXT.
CASEY

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